

The Stock Exchange of Hong Kong Limited

Practice Note 11

to the Rules Governing the Listing of Securities
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

Suspension and Restoration of Dealings

1. Definitions

Terms used in this Practice Note which are defined or interpreted in the Exchange Listing Rules shall have the same meaning as in the Exchange Listing Rules.

2. Requests for Suspension

Any request for suspension of trading should be directed to the Listing Division of the Exchange. It will only be considered when it is received directly from an authorised representative of the issuer or some other responsible officer of the issuer concerned or from a recognised and authorised merchant bank, financial advisor or sponsor, or a member firm acting in either of those capacities. Confirmation may be requested as to the authority of the person requesting the suspension. A formal letter supporting the request will be required, although because of time factors, this need not be delivered to the Listing Division at the time of the initial request.

Issuers should not delay in contacting the Listing Division where it is felt a suspension might be appropriate. It should be noted, however, that full reasons supporting a request will be required before the Listing Division, or if necessary the Listing Committee, will give the request consideration.

3. Grounds for suspension

A suspension request will normally only be acceded to in the following circumstances:

- where for a reason acceptable to the Exchange price-sensitive information cannot at that time be disclosed;
- where an issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with and agreement by one or more major shareholders. Suspensions will only normally be appropriate where no previous announcement has been made. In other cases, either the details of the offer should be announced, or if this is not yet possible, a "warning" announcement indicating that the issuer is in discussions which could lead to an offer, should be issued, without recourse to a suspension;
- to maintain an orderly market;
- certain levels of notifiable transaction, such as substantial changes in the nature, control or structure of an issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required;
- where an issuer is no longer suitable for listing, or becomes a "cash" company;
- issuers going into receivership or liquidation;

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- where an issuer confirms that it will be unable to meet its obligation to disclose periodic financial information in accordance with the Exchange Listing Rules.

It should be noted that the Exchange reserves the right to suspend dealings without a request and will not hesitate to do so, if, in its judgment, this is in the best interest of the market and investors in general. Instances which are likely to give rise to a suspension of dealings by the Exchange without a request include, but are not limited to those set out above and the following:

- unexplained unusual movements in the price or trading volume of the issuer's listed securities where the issuer's authorised representative cannot immediately be contacted to confirm that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities or where the issuer delays in issuing an announcement in the form required pursuant to rule 13.10 and where applicable, under the heading "Response to enquiries" in the relevant listing agreements under the heading "GENERAL-Response to enquiries" in the Listing Agreement (paragraph 39 of Appendices 7-A, 7-B and 7-I, paragraph 24 of Appendix 7-C, paragraph 11 of Appendix 7-G and paragraph 26 of Appendix 7-H);
- uneven dissemination or leakage of price sensitive information in the market giving rise to an unusual movement in the price or trading volume of the issuer's listed securities.

4. Restoration of dealings

In the interests of a fair and continuous market, the Exchange requires a suspension period to be kept as short as is reasonably possible. This means that an issuer and its advisers must produce an appropriate draft announcement for review by the Exchange as soon as possible after the suspension arises. Under normal circumstances, the Exchange will restore dealings as soon as possible following publication of an appropriate announcement, or after specific requirements have been met. The resumption of dealings will normally take place at the commencement of trading on the morning of the publication of the announcement in the newspapers.

Failure by an issuer to make an announcement when required, may, if the Exchange feels it to be appropriate, result in the Exchange issuing its own announcement and a restoration of dealings without an announcement by the issuer. Similarly, a suspension of dealings following the publication of an announcement in the press, simply on the grounds of allowing that information to circulate, will no longer be agreed to.

The Exchange wishes to re-emphasise the importance of proper security within an issuer, and the responsibility of the directors to ensure a proper and timely disclosure of all information necessary to investors to establish a fair and realistic valuation of securities traded in the market.

5. Disclosure of information

The Exchange is also concerned to ensure a proper and timely disclosure of information by issuers in accordance with their Listing Agreement the Exchange Listing Rules. It condemns the practice of allowing information to leak prior to its proper publication in order to 'test' the market, or to affect the price of the relevant security before details of a proposal are formally announced. It is particularly concerned where unpublished information is used to gain a personal advantage. The Exchange will not hesitate to suspend dealings where it considers that improper use is being made of price-sensitive information, be it by persons connected with the issuer concerned or otherwise. The Exchange may require a detailed explanation from an issuer as to who may have had access to unpublished information, and as to why security had not been properly maintained. If the Exchange considers the result of its enquiries justify such action, it may publish its findings. The Exchange places great importance on the responsibility of the directors of a listed issuer, not only to ensure proper

security with regard to unpublished price-sensitive news, but to ensure that information is disclosed in a proper, equitable manner, in the interests of the market as a whole, not to the benefit of a select group or individual.

Where the Exchange believes that a listed issuer or its advisers have permitted price-sensitive information regarding the issue of new securities to leak, prior to its proper publication, the Exchange will not normally consider an application for the listing of those securities.

6. The Statutory Rules

In accordance with the provisions of the Statutory Rules the Exchange will continue to notify the Commission of suspensions and restorations of dealings, and this Practice Note is issued without prejudice to the statutory powers of the Commission in respect of suspensions.

7. This Practice Note replaces Guidance Note 1 and takes effect from 16th October, 1995.

Hong Kong. 16th October, 1995

[Revised on 31st March, 2004](#)